



OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: November 24, 1999

TO: Chairman

FROM: Inspector General

SUBJECT: FY 2000 Audit Plan

I have attached a copy of the Office of Inspector General (OIG) Audit Plan for FY 2000. The plan identifies Commission programs and operations that we are planning to schedule for audit during FY 2000. We have organized the plan into three categories: 1) ongoing activities; 2) planned audits/reviews; and 3) unscheduled activities. Items in the last category of work will be initiated only if time and resources are available.

The focus of our planned audit work will be: timeliness and accuracy of FCC financial reporting data; follow-up audit activity to assess the status of the Collection System, compliance with the Government Performance Review Act (GPRA); and security of the Commission web servers. The OIG will also continue to support our Contracts and Purchasing Center in ensuring that our contractors are properly administered and that deliverables are provided in compliance with contract specifications. The OIG will also plan on continuing with the Field Inspection Program (FIP) in FY 2000.

We look forward to your continuing support.

H. Walker Feaster III

Attachment

cc: Chief of Staff

FY 2000 AUDIT PLAN

ONGOING FY 1999 AUDIT ACTIVITY

1. FCC Financial Statements
2. Collection System Follow-up
3. Procurement - Contract Audits
4. Government Performance Results Act (GPRA)
5. Year 2000 (Y2K) Readiness
6. Civil Monetary Forfeitures
7. National Call Center (NCC) - Information Security

PLANNED AUDITS/REVIEWS TO BE INITIATED IN FY 2000

1. National Call Center (NCC) - Operational Effectiveness and Efficiency
2. Regulatory Fee Collection
3. Application Fee Collection
4. Web Server Security Audit
5. Field Inspection Program (FIP)

UNSCHEDULED AUDIT/REVIEW ACTIVITIES

1. Universal Licensing System (ULS)
2. Backlog Resolution Process
3. Tower Lighting
4. Payroll Disbursements
5. Accounts Payable Disbursements

ONGOING FY 1999 AUDIT ACTIVITY

FCC FINANCIAL STATEMENTS

REASON FOR SELECTION

This represents a continuing effort on the part of the OIG to assist in the improvement of the Commission's financial management. This is important both internally to the Commission's operations and necessary in support of the audit of the Consolidated Financial Statements of the United States. The Department of the Treasury requests "non-CFO" agencies such as the FCC to verify financial data submissions that are captured in their Federal Agencies' Centralized Trial-Balance System II (FACTS). In response to this request, the FCC prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for the Federal Government to facilitate verification of its FACTS transmissions. FY 1999 was the initial year the FCC prepared entity-wide financial statements and subjected them to audit.

With the assistance of an independent public accounting firm, the OIG plans to continue the initiatives started in FY 1999 to address reengineering financial management at the FCC. Specific tasks will include addressing the identified material weaknesses and reportable conditions from the FY 1999 audit while concentrating on the expanded scope of the FY 2000 audit to address additional reporting requirements of the Office of Management and Budget (OMB).

AUDIT OBJECTIVE

The overall audit objective is to provide an opinion on the FY 2000 financial statements. This work is part of our continuing effort to support the Chief Financial Officer in his efforts to bring the FCC's financial accounting and reporting systems into compliance with applicable laws, regulations and circulars.

BENEFIT TO BE DERIVED

A comprehensive financial statement audit provides the Chief Financial Officer an independent assessment of the Commission's FY 2000 financial statements. Additional benefits include advisory assistance in preparing and issuing financial statements that comply with Federal accounting standards.

FOLLOW-UP SPECIAL REVIEW OF THE COLLECTION SYSTEM

REASON FOR SELECTION

On September 25, 1998, the OIG issued Special Review Report No. 97-21 entitled "Special Review of the Federal Communications Commission Collection System" summarizing the results of our review of the Collections System. The report identified that the system did not: include all payment transactions; provide clear audit trails for changes made to payment transactions; provide adequate levels of internal controls; reconcile to the General Ledger; and, supported less than thirty percent of desired functionality. The report contained one hundred twenty-eight (128) specific observations in the area of internal controls; business process improvements; policies and procedures; and systems development lifecycle issues. Accordingly, the review team recommended the Commission evaluate, select, and implement a commercial-off-the-shelf (COTS) product to replace the existing system.

This follow-up special review will serve to assess the Commission's efforts to address audit observations and recommendations contained in this program area.

AUDIT OBJECTIVE

The objective of this special review is to: (1) follow-up on specific observations identified in our Special Review Report to ensure appropriate corrective actions have been implemented; (2) examine the process the Commission followed to select the COTS product and evaluate the detailed schedule and plan for implementation; and, (3) evaluate the level of expenditure required to maintain the existing system to ensure that steps are being taken to minimize expenditures.

BENEFITS TO BE DERIVED

The Chairman will be informed as to whether corrective actions have been taken or are planned to address prior audit recommendations in this highly visible and sensitive area. The OIG will also report on the processes followed to select the COTS product to replace the existing system and the schedule for this transition.

PROCUREMENT – CONTRACT AUDITS

REASON FOR SELECTION

Through the performance of contract related audit work, the OIG has worked with the Chief, Contracts and Purchasing Center to oversee the performance and monitoring of contractors as well as the basis and support for their billing to the Commission. This cooperative effort has resulted in significant monetary recoveries to the Government, increased efforts on the part of Commission staff to monitor and oversee the performance of contractors, and the identification of fraudulent and unsupportable billings and questionable rate formulations.

Through the deployment of dedicated and skilled staff in this area, the OIG has, and anticipates providing continued tangible benefits to the agency.

AUDIT OBJECTIVES

On an ongoing basis, OIG auditors with contracting audit expertise will work in a constructive manner with Contracts and Purchasing Center staff to optimize procurement operations and support the timely and proper delivery of goods and services by contract personnel. Auditors will accomplish these overriding objectives by ensuring that contractors are: properly selected; tasks and deliverables are well defined and received per terms enumerated in the contract; and, that costs billed are fair, supportable and consistent with contractual language and Federal Acquisition Regulations. The OIG will continue to provide guidance and assistance towards ensuring that Contracting Officers Technical Representatives (COTRs) are well trained and meet proscribed COTR performance requirements.

BENEFITS TO BE DERIVED

The OIG will work closely with the Contracts and Purchasing Center to maximize the use of finite funding available to the Commission. Auditors will continue to have a constructive impact upon ensuring that the acquisition process provides the end user with the best goods and services available to meet their mission requirements in a legal and ethical manner.

GOVERNMENT PERFORMANCE RESULTS ACT (GPRA)

REASON FOR SELECTION

The Government Performance and Results Act of 1993 (GPRA) is intended to improve the efficiency and effectiveness of federal programs through the establishment of specific goals for program performance. Specifically, the act requires the FCC to prepare multi-year Strategic Plans, Annual Performance Plans, and an Annual Performance Report to be issued by March 31 each year, with the first for FY 1999 to be issued by March 31, 2000. The Director, Office of Management and Budget, has called upon Inspectors General to “assess agencies’ technical compliance with the Results Act as well as their capacity to comply from a data and systems perspective.”

AUDIT OBJECTIVES

Through the transmission of Audit Report No. OIG 98-01 dated March 26, 1999, the OIG provided the Chairman with our initial analysis of Commission activity towards meeting the initial GPRA mandated requirements. The report identified the need to more clearly define specific outcome-oriented performance goals to serve as the basis for the March 31, 2000 Annual Performance Report. The focus of this effort will be directed at identifying measures taken to address this reported finding and independently reviewing and assessing the Commissions’ Strategic Plan and initial Annual Performance Report.

BENEFIT TO BE DERIVED

The audit will provide the Chairman with an independent and comprehensive analysis of the FCC’s performance as it seeks to fully address the requirements of the Act.

YEAR 2000 (Y2K) READINESS

REASON FOR SELECTION

In January 1999, the OIG initiated fieldwork within the FCC to assess the readiness of Commission mission critical information systems for the Year 2000 (Y2K) and provide constructive recommendations as warranted. In our final audit report issued to the Chairman on August 16, 1999, the several areas of concern were identified most notably in the following three categories:

1. Independent Verification and Validation (IV&V);
2. Business Continuity and Contingency Planning (BCCP); and,
3. Testing and Renovation of mission critical systems.

This follow-up effort will focus on providing the Commission with a series of timely status reports which address the status of internal Commission activity to address the Y2K problem.

AUDIT OBJECTIVES

This office will provide the Commission with timely and useful information as to the status of internal efforts to prepare for Y2K. The OIG will seek to provide expertise to effected parties to best meet the challenges posed by the Y2K phenomenon.

BENEFIT TO BE DERIVED

The OIG will provide the Chairman with an independent assessment of internal activity underway to meet the Y2K challenge and continuity and contingency plans should a disruption occur. The OIG will provide technical expertise to Commission employees and contractors working to mitigate potential problems to FCC information systems posed by the Y2K phenomenon.

CIVIL MONETARY FORFEITURES

REASON FOR SELECTION

On February 25, 1991, the OIG issued the "Report on the Performance Audit of the FCC's Fine and Forfeiture System". The report contained ten recommendations which resulted from OIG findings of deficiencies in the tracking, follow-up and, collection of fines and forfeitures assessed by the Commission. The Commission categorized as closed specific action to address the OIG recommendations. The assessment and subsequent collection of civil monetary forfeitures is a primary tool of the FCC in facilitating compliance with Commission rules and regulations. As such, the OIG believes that this audit area should be revisited.

AUDIT OBJECTIVE

To determine whether the Commission's policies and procedures for tracking and collecting civil monetary forfeitures ensure the collection of moneys owed the government. To furnish the Chief of the new Enforcement Bureau with recommendations as may be warranted to address deficiencies in this program area.

BENEFITS TO BE DERIVED

The Commission levies civil monetary penalties as a means of ensuring compliance with FCC rules and regulations. This audit will provide the Chairman with an assessment of the accuracy of data bases maintained by the Commission and the status of collection activity including referrals to the Department of Justice.

NATIONAL CALL CENTER (NCC) - INFORMATION SECURITY

REASON FOR SELECTION

The National Call Center (NCC) is dedicated to provide customers of the FCC with timely, up-to-date, and accurate information in a prompt and professional manner. FCC staff at the NCC place reliance upon state-of-the-art technology tools to support their interface with the public. These tools include the Automatic Call Director System, Integrated Voice Response System, and the Expert Advisor System.

Based upon factors including the high visibility of the NCC, criticality of functions and significant financial investment in the automated systems, the OIG believes that audit of information systems controls is warranted.

AUDIT OBJECTIVES

The objective of this audit will be to examine the Information Technology (IT) environment supporting the NCC automated computer systems to ensure that the systems are adequately secured consistent with Federal regulations governing the management of critical information systems. In accordance with audit steps contained in the Federal Information Systems Controls Audit Manual (FISCAM) the OIG will review major categories of general controls associated with the NCC such as access controls, service continuity and security program planning and management.

BENEFITS TO BE DERIVED

The audit will assess and report upon the adequacy of internal controls over IT systems maintained at the NCC. Specific recommendations, as warranted, will be developed to address any internal control deficiencies identified during the conduct of audit fieldwork.

**PLANNED AUDITS TO BE INITIATED IN
FY 2000**

NATIONAL CALL CENTER (NCC) - OPERATIONAL EFFECTIVENESS AND EFFICIENCY

REASON FOR SELECTION

The FCC has invested significant resources in the establishment of the National Call Center (NCC) in Gettysburg, Pennsylvania. The NCC represents the primary conduit by which citizens communicate with the Commission. To date, no independent evaluations and assessments have been undertaken to evaluate the effectiveness and efficiency of this operation.

AUDIT OBJECTIVES

The primary objectives of this audit are as follow:

1. Capture the cost of establishing and maintaining NCC operations (comparison of budgeted versus actual);
2. Assess the quality of services provided to FCC customers (criteria to encompass hours of operation, length of time parties are placed on hold, etc.);
3. Assess the relevance and reliability of performance measurement tracking systems;
4. Reach overall opinion as to functionality of the NCC.

BENEFITS TO BE DERIVED

Provide an independent and expert evaluation of the operations of the NCC. Identify specific practices that may result in operational and reporting enhancements.

REGULATORY FEE COLLECTION

REASON FOR SELECTION

On November 24, 1998, the OIG issued the Special Review Report entitled "Commercial Mobile Radio Services (CMRS) Licensing and Fee Collection Databases." The objective of this task was to determine whether the FCC received FY 1997 CMRS Section 9(a) regulatory fees consistent PL 103-66. The OIG reported that the auditors were unable to determine which licensees had paid the required fees within the designated filing period. Subsequently, the General Accounting Office performed analysis in this area and reported that wireless licensees had failed to pay regulatory fees for significant licenses issued by the FCC.

The OIG will perform follow-up audit work in this area, to assess whether the FCC has implemented corrective action.

AUDIT OBJECTIVES

The audit will assess whether a reliable link has been established between the new Revenue Accounting Management Information System (RAMIS) and Universal Licensing System (ULS). Auditors will seek to perform the level of audit work that was previously suspended due to a lack of reliable of data maintained in Commission databases. This includes:

1. Obtain records as to fee payments to the FCC Form 159-Remittance Advice;
2. Match licensing data maintained by WTB to OMD to validate data; and
3. Perform late payment analysis.

BENEFITS TO BE DERIVED

Report to Chairman and FCC management as to whether deficiencies in the processing and reporting of Section 9 fees have been addressed.

APPLICATION FEE COLLECTION

REASON FOR SELECTION

The GAO in their Draft Report entitled “FCC Does Not Know If All Required Fees are Collected” noted deficiencies in the FCC’s tracking, documentation and validation of payment of application fees on the part of entities regulated by the FCC. For example, GAO reports that only one Bureau could provide “information sufficient to show that the fees were paid in nearly all of the cases we selected.”

AUDIT OBJECTIVES

This audit will address deficiencies identified to the Commission in the subject GAO report issued in draft in August 1999.

BENEFITS TO BE DERIVED

Audit fieldwork will identify whether the Commission has addressed institutional problems in providing documentation to reflect that an application fee was paid, or is fee exempt.

WEB SERVER SECURITY AUDIT

REASON FOR SELECTION

Through the use of the Internet, persons can access the FCC directly via our web server. This connectivity gives customers of the FCC open access to the Commission to secure information made available for their use. Likewise, this level of access presents security issues that must be resolved in order to protect the Commission's ability to effectively perform its daily business activities and protect the agency from unauthorized access and disruption to operations.

AUDIT OBJECTIVE

The objectives of this audit are to: (1) assess the current security posture of the Commission-wide systems providing information to the public via the web; (2) identify vulnerabilities as may exist in general controls; and (3) review application development techniques to ensure that the FCC is not vulnerable to known Web-based external attacks.

BENEFITS TO BE DERIVED

In the event that weaknesses in the security posture of our web server are identified, specific recommendations to resolve these findings will be provided to the Commission.

FIELD INSPECTION PROGRAM (FIP)

REASON FOR SELECTION

The OIG has completed a series of three successful Field Inspections Program (FIP) reviews since program inception in 1995. By visiting field offices and resident agents, the OIG has the opportunity to evaluate the effectiveness and efficiency of these locations and assess the internal control environment. By visiting and meeting with field personnel, the OIG can identify impediments to successful mission accomplishment and put forth recommendations for corrective action. The conduct of an independent FIP in FY 2000 will be especially important in light of the major reorganization resulting in the creation of the Enforcement Bureau.

AUDIT OBJECTIVES

The objective of the inspection program is to provide an independent and impartial perspective to FCC management of field operations. The inspection team strives to identify such things as impediments to operational effectiveness, best practices that can be exported field wide, and ideas to facilitate overall FCC mission accomplishment.

BENEFITS TO BE DERIVED

Each inspection cycle has resulted in specific findings that were recognized by management. Independent and thoughtful examination and analysis by OIG staff can result in the identification of specific practices or operations that can provide benefit to the field and Commission as a whole. The OIG will present the Commission with feedback as to the operational impact of the FCC reorganization.

UNSCHEDULED AUDIT/REVIEW ACTIVITIES

UNIVERSAL LICENSING SYSTEM (ULS)

REASON FOR SELECTION

One of the major initiatives the Commission is currently implementing is the Universal Licensing System (ULS). This process is geared towards streamlining through automation the FCC licensing process. This initiative represents a significant component of the Chairman's initiative outlined in the FCC Strategic Plan for creating a paperless FCC that promotes one-stop shopping. The FCC has committed significant financial resources towards meeting this objective. The OIG will perform survey work and subsequently conduct audit fieldwork of selective components of the ULS.

AUDIT OBJECTIVES

The objective of the initial survey is to determine whether the ULS is on track to meet the Chairman's goal of streamlining and automating the FCC licensing process. A secondary goal is to determine the extent to which ULS development meets the guidelines of the Information Technology Management Reform Act (IMTRA). Results of this survey work will be assessed and a determination made as to which areas should be the focal point of additional audit activity.

BENEFITS TO BE DERIVED

The initial survey and subsequent audit fieldwork will provide the Commission with an independent analysis of ULS development activities and related expenditure of funds.

BACKLOG RESOLUTION PROCESS

REASON FOR SELECTION

The FCC Strategic Plan identifies as a key policy initiative the reduction of backlogs that exist in processing licensing applications, reconsiderations, and other proceedings. The Plan also calls for an acceleration in the decision making process. This activity is essential to the Commission as it moves to work more efficiently in a competitive environment and meet the needs of our customers. The OIG will independently assess the Commission efforts towards meeting these initiatives.

AUDIT OBJECTIVES

The OIG will identify whether a methodology has been developed and implemented to accurately track speed of disposal of current backlogs, reductions in levels of review of items and in adoption of these items. The OIG will assess processes used to accomplish these streamlining initiatives to evaluate whether the Commission is servicing customers in a fair and balanced manner.

BENEFITS TO BE DERIVED

Through the completion of this review, the OIG will be able to report whether the Commission is on track to meet performance measures identified in the Strategic Plan.

TOWER LIGHTING

REASON FOR SELECTION

The Wireless Telecommunications Bureau (WTB) has requested the OIG perform a review/audit in this operational area. Tower lighting is a safety and health issue that requires due diligence on the part of the FCC and other entities such as the Federal Aviation Administration (FAA). This program area and coordination between the FCC and the FAA has not received prior OIG coverage.

AUDIT OBJECTIVES

The OIG will evaluate the current efforts on the part of the FCC to address potential tower lighting concerns both internally and through external coordination and cooperation with the FAA. In the event operational deficiencies are identified, recommendations to effect corrective measures will be developed.

BENEFITS TO BE DERIVED

Tower lighting is a critical safety issue. Should deficiencies or impediments in the identification and resolution of tower lighting outages be noted, the OIG will propose specific recommendations for corrective action.

PAYROLL DISBURSEMENTS

REASON FOR SELECTION

Payroll disbursements represent a significant component of the Commissions annual financial outlays. Additionally, payroll functions traditionally represent a high risk factor to a business entity. Audit activity will be initiated using advanced software tools to validate that payroll disbursements are valid and accurate.

AUDIT OBJECTIVE

The primary objective is to search for any indicators of questionable payroll transactions utilizing advanced audit detection software, which resides in the OIG. Should such transactions be flagged, additional analysis will be conducted to ensure that any unauthorized payments and/or fraudulent activity involving payroll transactions are detected and fully investigated. Additionally, payroll data will be cross-matched to the accounts payable database to identify whether any FCC employee names or addresses correspond to Commission vendors and related billing addresses.

The audit will also examine user controls in place at the FCC to restrict non-authorized persons from accessing and potentially modifying payroll data.

BENEFITS TO BE DERIVED

The audit will identify and investigate any questionable payroll related disbursements and linkage between FCC employees and vendor disbursements. The audit will also ensure that internal controls serve to mitigate potential unauthorized access to proprietary payroll data.

ACCOUNTS PAYABLE DISBURSEMENTS

REASON FOR SELECTION

Disbursements traditionally represent a high risk factor to a business entity. Audit activity will be initiated using advanced software tools to validate that disbursements are valid and accurate and supported by appropriate documentation.

AUDIT OBJECTIVE

The initial objective will be to search for indicators of questionable or unusual disbursement attributes using advanced audit software. This information resides in the Federal Financial System (FFS) accounts payable database. Any disbursement meeting this definition will be subject to detailed audit scrutiny.

This audit will also examine computer controls implemented by the Commission over the disbursement process to determine whether controls effectively restrict access to authorized users.

BENEFITS TO BE DERIVED

The review will determine if the Commission's disbursement process is functioning in a manner that minimizes the potential for waste, fraud, abuse and mismanagement.